



# Annual Report

*of the  
State Treasurer*

**Fiscal Year  
2000-2001**

John Engler,  
*Governor  
State of Michigan*

Douglas B. Roberts,  
*State Treasurer  
Michigan Department of Treasury*

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***Note:** Dollar figures in financial tables represent thousands of dollars unless indicated otherwise.  
Figures may not add to totals because of rounding.*



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JOHN ENGLER  
GOVERNOR

DOUGLAS B. ROBERTS  
STATE TREASURER

April 2002

The Honorable John Engler  
Members of the Michigan Legislature  
People of the State of Michigan

Smart fiscal management, a continuing pledge to lower the tax burden on Michigan individuals and businesses, and high-tech innovations highlight fiscal year 2001, a year that was both challenging and rewarding for the State of Michigan.

A year ago, Michigan was basking in the glow of its first AAA credit rating in a quarter century. Wall Street rating agencies Standard & Poor's (S&P) and Moody's had upgraded the state's rating to AAA—the highest possible—offering proof that fiscal and economic policies of the past decade had indeed paid off. These ratings save Michigan millions through lower interest rates, leaving more taxpayer dollars to fund essential programs.

In an effort to put more dollars back into taxpayers' pockets, tax cuts continued to benefit both Michigan individuals and businesses in FY 2001, and it didn't stop there. The Individual Income Tax rate decreased to 4.1 percent as of January 1, 2002, with the Single Business Tax (SBT) rolling back to 1.9 percent. Eventually, the Individual Income Tax rate will drop to 3.9 percent with the SBT on schedule to be eliminated through annual reductions of 0.1 percent each year.

As State Treasurer, I believe each and every taxpayer, whether individual or business, deserves excellent customer service. That's why implementing our new, state-of-the-art Customer Call Center has been a priority for the department. With a simple toll-free call, taxpayers can now get personal assistance from a customer service representative and answers to any tax-related questions they might have.

Taxpayers are also finding it easier than ever to file their taxes. Millions of Michigan taxpayers are receiving faster refunds through electronic filing (e-file), filing by telephone (TeleFile), and two-dimensional (2-D) barcoding. These automated methods add convenience to the tax-filing process, cut processing time, reduce errors, and save the state money.

As we look to continue our work in the future, we should also reflect on the challenges and successes of fiscal year 2001, realizing that this would not have been possible without the leadership of Governor John Engler, the hard work and dedication of our Treasury employees, and the support of the Legislature.

Sincerely,

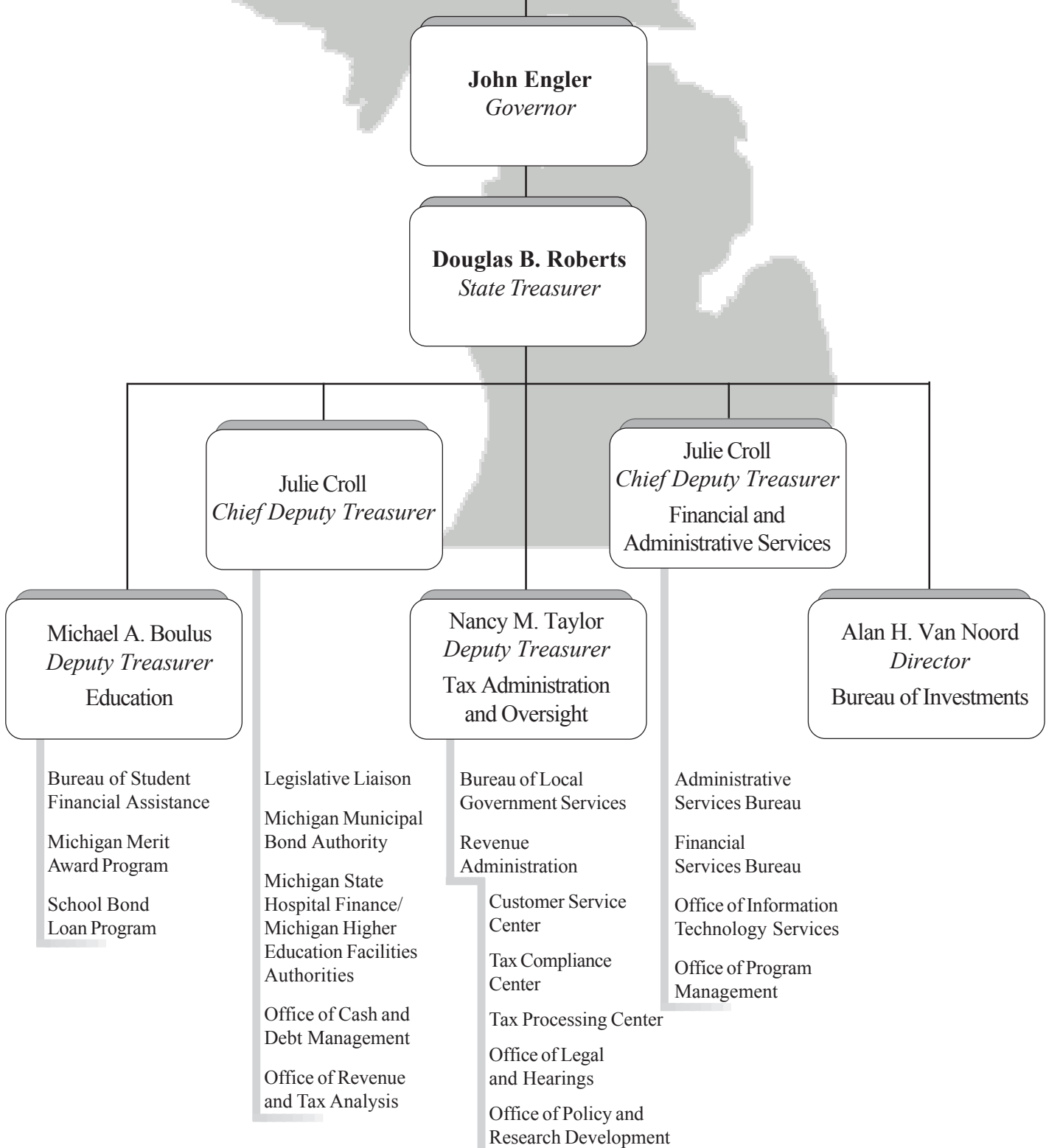
Douglas B. Roberts  
State Treasurer



# About the Michigan Department of Treasury

The Michigan Constitution provides for the office of the State Treasurer in Article 5, Section 3. The Governor appoints the State Treasurer with the advice and consent of the State Senate. Governor John Engler reappointed Douglas B. Roberts as Michigan's 41<sup>st</sup> State Treasurer effective May 1, 2001.

## The People of Michigan



# *Introduction*

## *Responsibilities*

Under the State Treasurer's direction, the Michigan Department of Treasury collects, invests, and disburses all State monies. The Department administers major tax laws, property tax laws, safeguards the credit of the State and its local governments, audits county and municipal finance records, and holds unclaimed or abandoned property.

The Michigan Department of Treasury provides support services to many programs and authorities including the Investment Advisory Committee, Michigan Education Trust, Michigan Education Savings Program, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Merit Award, Michigan Municipal Bond Authority, Michigan State Hospital Finance Authority, State Assessors Board and State Tax Commission. While the State Treasurer serves as a member or chair of several of these boards and authorities, by law each operates independently of

the State Treasurer, and their members are appointed by the Governor or serve by virtue of their position in State government.

## *Administration*

The Department of Treasury is organized into an executive office and four areas of responsibility. During fiscal year 2001, the Department's operating expenditures were \$191 million. At the close of the fiscal year, Treasury employed 1,430 full-time workers.

The main Treasury Department office is in downtown Lansing. Field offices are located throughout Michigan, many of which offer taxpayers access to forms and information. These offices also provide a link to the main office for Treasury auditors and collectors assigned to Michigan's 83 counties. The Department also maintains offices in California, Illinois, New Jersey, New York, Ohio and Texas for proximity to multi-state taxpayers doing business in Michigan.

## *Commissions, Boards and Authorities*

### *Commissions, boards and authorities within Treasury:*

Investment Advisory Committee  
Michigan Education Trust  
Michigan Higher Education Assistance Authority  
Michigan Higher Education Facilities Authority  
Michigan Higher Education Student Loan Authority  
Michigan Merit Award  
Michigan Municipal Bond Authority  
Michigan State Hospital Finance Authority  
State Assessors Board  
State Tax Commission

### *The State Treasurer serves as investment fiduciary of the following:*

Judges' Retirement Fund  
Public School Employees' Retirement Fund  
State Employees' Retirement Fund  
State Police Retirement Fund

### *The State Treasurer serves as treasurer of the following:*

Mackinac Bridge Authority  
Michigan Judges Retirement System  
Michigan Legislative Retirement System  
Michigan Public School Employees Retirement System

Michigan State Employees Retirement System  
Michigan State Police Retirement System

### *The State Treasurer sits as a board member of the following:*

Michigan Education Trust, Chair  
Michigan Merit Award Board, Chair  
Michigan Municipal Bond Authority, Chair  
Michigan School District Accountability Board, Chair  
Local Emergency Financial Assistance Loan Board  
Michigan Capitol Park Commission  
Michigan Economic Development Corporation Corporate Board  
Michigan Economic Growth Authority  
Michigan Forest Finance Authority  
Michigan Higher Education Assistance Authority, Chair  
Michigan Higher Education Student Loan Authority, Chair  
Michigan State Hospital Finance Authority  
Michigan State Housing Development Authority  
Michigan Strategic Fund  
Michigan Underground Storage Tank Financial Assurance Authority  
Michigan Judges, State Employees and State Police Retirement Boards  
State Administrative Board

# ***Fiscal Year 2001: The Year in Review***

## ***Credit Ratings Hold Strong at AAA***

Michigan continues to get “Straight A’s” from Wall Street. Rating agencies Standard & Poor’s (S&P) and Moody’s upgraded the State’s credit rating to AAA, the highest rating possible, in the fall of 2000. Despite the economic slowdown in 2001, Michigan has maintained those high marks. That’s impressive, when you consider Michigan hadn’t received a AAA rating from S&P since 1976 and had never before received a AAA rating from Moody’s. Michigan is currently the largest state to hold a AAA bond rating and the only manufacturing state to carry that distinction. The 10 AAA rated states are Delaware, Georgia, Maryland, Michigan, Minnesota, Missouri, North Carolina, South Carolina, Utah, and Virginia.

## ***Michigan's Low Debt Burden***

One of the many reasons behind Michigan’s AAA rating is the State’s low debt burden. Michigan issues long-term debt to build highways, clean the environment, and construct new buildings on college and university campuses, prisons and other State facilities. Michigan’s debt as a percent of personal income was 1.6 percent in 2000 (latest figure available). This is 8th lowest among the 10 states rated AAA by Standard & Poor’s and 9th lowest among the 10 largest states. It is also well below the median debt level of 2.1 percent for the 50 states. In addition, Michigan’s debt *per person* is currently \$449, nearly \$100 per person below the U.S. median value of \$542. This is 7th lowest among the 10 AAA states and 9th lowest among the 10 largest states.

## ***The Customer Always Comes First***

### ***Customer Call Center***

Michigan taxpayers now have toll-free access to a state-of-the-art Customer Call Center within the Michigan Department of Treasury. Taxpayers can get assistance from a customer service representative and answers to questions they might have about current State tax law, individual tax issues or Treasury Department rules and regulations.

The new call center, which has been integrated with the Department’s existing tax database, automatically displays a taxpayer’s records so the customer service representative can easily and effectively help the caller. The Customer Call Center’s new database will also allow program administrators to gather and analyze information, including the most frequently asked questions and tax issues that need attention.

The Customer Call Center will eventually be expanded to include customer service capabilities through the Internet and e-mail.



*The new call center automatically displays a taxpayer's record so the customer service representative can quickly and easily respond to callers.*

### ***e-Filing***

Reducing tax processing time continues to be a priority for the Michigan Department of Treasury. A significant part of that effort is the drive to get more taxpayers to electronically file individual income tax returns. Last year, more than one million Michigan taxpayers took advantage of e-filing and the faster refunds that result. Our State has the second highest number of e-filers in the nation. For tax year 2000, more than 160,000 Michigan taxpayers also utilized TeleFile, a system of submitting tax returns by telephone.

### ***Internet Filing of SBT C-8030***

The *Single Business Tax Notice of No Return Required* (Form C-8030) can now be filed with the Michigan Department of Treasury via the Internet, 24 hours a day, 7 days a week. Businesses with gross annual receipts of less than \$250,000 can file this form, alerting the Treasury Department that no SBT return is needed. Filing the C-8030 on line will save businesses and the State alike, time and money. Filing the C-8030 on line is quick and easy, with on-line instructions guiding customers through the process. Businesses receive immediate notification that the form has been submitted.

### ***2-D Barcoding***

The use of two-dimensional (2-D) barcodes, generated by store-bought income tax programs, continues to grow. These barcodes are placed on return forms when printed on a personal computer and contain the taxpayer’s pertinent information. 2-D barcode scanning is 100 percent accurate and eliminates data entry errors, which can delay return processing. It takes only 14 days for



the Department of Treasury to process 2-D barcoded returns. Like e-filing, this reduces processing costs and gets refunds to taxpayers much faster. In 2001, more than one million Michigan taxpayers filed 2-D barcoded returns and, as personal computers and tax software grow in popularity, so too will the number of taxpayers who file 2-D barcoded tax returns.

### ***Outreach***

The Department of Treasury continues to support and assist taxpayers around the State of Michigan by offering a series of business seminars, providing instructors at more than a dozen tax schools put on by Michigan State University and University of Michigan, providing income tax preparation instructions and videos to libraries and volunteer tax preparation groups, making income tax training available to legislative staff members, and speaking before group meetings of professional preparers and attorneys.

### ***Electronic Funds Transfer***

Beginning in fiscal year 2001, businesses and/or persons receiving payments from the State of Michigan as vendors may elect to receive payment through electronic funds transfer (EFT). EFT is rapidly becoming the preferred method of sending and receiving payments. In fact, during fiscal year 2001 the State of Michigan experienced a 139 percent increase in EFT payment distributions to vendors.

EFT transactions benefit both the payee and the State of Michigan by delivering timely payments and eliminating delays in depositing and/or personal visits to financial institutions, making payments immediately available as usable funds, decreasing fraud and staff commitment to processing redeemed warrants and undeliverable payments, and reducing payment delivery costs.

## ***Keeping the Emphasis on Education***

### ***Michigan Merit Award***

The Michigan Merit Award Program is a merit-based scholarship awarded to students who perform well on the Michigan Educational Assessment Program (MEAP) tests. Students who meet or exceed state standards on the reading, math, science, and writing components of the MEAP High School Test (HST), in addition to meeting the other requirements established by the Michigan Merit Award Board, are eligible for a \$2,500 scholarship to pay for eligible costs such as tuition, books, computers, job training and more. In its second year, the Michigan Merit Award was given to 48,760 high school graduates from the Class of 2001. The program provided access to \$122 million in scholarships for the Class of 2001 alone, making it one of the largest state-based merit scholarship programs in the nation.

### ***Golden Apple***

The Golden Apple Award recognizes outstanding achievement on the Michigan Educational Assessment Program (MEAP) tests and is accompanied by no less than \$50,000 per recipient school. In its second year, nearly 127 elementary schools were provided with awards for school improvements such as textbooks, computers, guest lecturers, or other innovations. The Awards, totaling more than \$6.6 million, were based on the schools' performances on 4th and 5th grade MEAP tests.



*Governor Engler presents a 2001 Golden Apple Award to Fair Plain West Elementary School of Benton Harbor Area Schools.*

### ***Michigan Education Savings Program***

The Michigan Education Savings Program (MESP) encourages Michigan families to save for postsecondary education. To date, more than 42,000 accounts have been established. The Program's assets now stand at over \$125.8 million. While other states have similar plans, Michigan's Program is unique by offering a state match for certain beneficiaries. To date, 2,950 match applications have been approved, and the State has provided \$508,918 in matching funds. There are no federal or state income taxes on earnings used to pay for qualified higher education expenses, and account owners can receive an annual state income tax deduction of up to \$5,000 or \$10,000 for joint filers. The maximum contribution limit has been increased from \$125,000 to \$235,000, account ownership definition now includes 501(c)(3) entities, and "immediate family member" definition has been broadened to include first cousins of the beneficiary.

### ***Michigan Education Trust***

The Michigan Education Trust (MET) program is continuing to provide an opportunity for Michigan families to lock in today's tuition for tomorrow's college education. MET has experienced annual contract enrollment increases and purchasers are now able to submit contracts on the MET Web site. As of September 30, 2001, approximately 63,000 contracts have been purchased, and 14,155 contracts have been paid in full. The market

value of the assets is \$862 million with a \$102.77 million surplus. Earnings are now exempt from federal and state taxes if used to pay for qualified higher education expenses. Purchasers are eligible for a state tax deduction of the total contract price.

### ***Expedited Tax Reversion Process***

In fiscal year 2001, a revised tax reversion process was initiated to streamline a complex and antiquated process. The State of Michigan continues to experience benefits from those changes, including the processing of delinquent properties in three years or less compared to the former six-year process; the elimination of annual tax liens in favor of an annual forfeiture and judicial foreclosure process; and the significant strengthening of due process and notification procedures.

### ***Another Record Year for Unclaimed Property***

Thanks to increased public awareness resulting from direct mailings, two Web sites, and an annual statewide newspaper publication, the Unclaimed Property Division set all-time payout records in fiscal year 2001. More than 21,300 claims were approved, breaking the previous record set in FY 2000, and over \$24.6 million was returned to property owners and/or their heirs in fiscal year 2001 (again breaking the record set in FY 2000).

### ***Notable 2000-2001 Legislative Changes***

#### ***Public Act 403 of 2000***

Replaces the current Motor Fuel Tax Act with a comprehensive new act. To prevent tax evasion, Public Act 403 incorporates a dyed diesel fuel program that restricts the amount of clear diesel fuel that enters the marketplace tax-free. Specifications are set in the legislation to determine collection of the tax and licensure requirements.

#### ***Public Act 417 of 2000***

Exempts from sales tax nonalcoholic beverages in a sealed container sold through a vending machine or mobile facility. This exemption primarily pertains to soft drinks.

#### ***Public Act 421 of 2000***

Allows a tax credit against income tax liability for property taxes that exceed 3.5 percent of household income if that agricultural property is placed in a development rights agreement for at least 10 years. Farmers not subject to

the income tax (corporate farmers) can claim a credit against the single business tax equal to the amount that property taxes exceed 3.5 percent of adjusted business income.

#### ***Public Act 477 of 2000***

Amends the definitions of “sales” and “gross receipts” in the Single Business Tax Act and adds specific exceptions effective for tax years beginning after 2000. With certain exceptions, Public Act 477 excludes certain amounts from gross receipts based on the nature of the expenditure and the agent’s contractual business activity.

#### ***Public Act 34 of 2001***

Repeals the Municipal Finance Act and enacts the Revised Municipal Finance Act, which governs the issuance of most debt in the State. The new act revises and consolidates the provisions regarding Treasury oversight, debt issuance, notice and refunding.

#### ***Public Act 493 of 2001***

Amends the Uniform Budgeting and Accounting Act. Amendments include: (1) the designation of the chief administrative officer, not the fiscal officer, as the party responsible for filing the fiscal report and requesting an extension from Treasury; (2) the requirement to file the annual financial report within 6 months of the end of the fiscal year; and (3) the requirement to submit the annual financial report in an electronic format prescribed by the State Treasurer.



*East lawn of Michigan State Capitol*



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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

Independent Auditor's Report

April 19, 2002

Dr. Douglas B. Roberts  
State Treasurer  
State of Michigan

Dear Dr. Roberts:

We have audited the accompanying schedule of State Treasurer's Common Cash - assets and equities, schedule of investment portfolios of specific funds, and schedule of investment revenues as of and for the fiscal years ended September 30, 2001 and September 30, 2000. These financial schedules are the responsibility of the Department of Treasury's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the accompanying financial schedules include only the schedule of State Treasurer's Common Cash - assets and equities, presented on the cash basis of accounting, and the schedule of investment portfolios of specific funds and the schedule of investment revenues, presented on the accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Department of Treasury or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

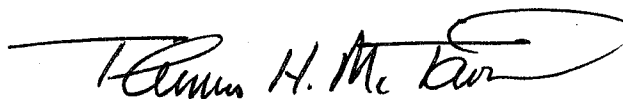
Dr. Douglas B. Roberts  
State Treasurer  
State of Michigan  
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In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the State Treasurer's Common Cash - assets and equities, the investment portfolios of specific funds, and the investment revenues as of and for the fiscal years ended September 30, 2001 and September 30, 2000 on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 19, 2002 on our tests of the Department of Treasury's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The supplemental tables and statistical data, listed in the foregoing table of contents, were not audited by us and, accordingly, we express no opinion on them.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas H. McTavish", with a large, stylized flourish at the end.

Thomas H. McTavish, C.P.A.  
Auditor General

# *Schedule 1*



## **State Treasurer's Common Cash - Assets and Equities** (In Thousands of Dollars)

	Fiscal Year Ended September 30	
	2001	2000
<b>Assets</b>		
Cash on Hand (Vault)	\$ 1	\$ 163
Demand Deposits	128,084	158,986
Time Deposits - Regular	53,984	50,641
Time Deposits - Marina Loan Program	551	-0-
Prime Commercial Paper - At Cost	4,549,626	5,193,029
Emergency Municipal Loans	42,115	40,470
Total	<u>\$ 4,774,361</u>	<u>\$ 5,443,289</u>
<b>Equities</b>		
Available Equity of Other Funds	\$ 4,589,464	\$ 5,231,705
Outstanding Warrants	184,897	211,584
Total	<u>\$ 4,774,361</u>	<u>\$ 5,443,289</u>

The accompanying notes are an integral part of the financial schedules.

# Schedule 2



## Investment Portfolios of Specific Funds (In Thousands of Dollars)

Fund	Short-term Investments	Government Securities	Corporate Bonds, Notes and Contracts	Common and Preferred Stock	Mortgages	Real Estate	Alternative Investments	International Equities	Fiscal Year Ended Sept. 30 2001 Total	2000 Total
Legislative Retirement	\$ 3,704	\$ 12,698	\$ 5,596	\$ 136,207	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 158,205	\$ 1 81,811
State Police Retirement	63,268	107,308	105,727	427,071	360	98,236	160,315	69,019	1,031,304	1,205,695
State Employees' Retirement	608,141	1,008,502	981,277	3,931,889	4,467	938,533	1,495,217	631,404	9,599,430	11,213,132
Public School Employees' Retirement	2,675,855	3,470,927	3,463,992	14,338,966	39,625	3,172,623	5,217,511	2,271,316	34,650,815	40,035,899
Judges' Retirement	23,741	31,240	27,774	109,531	115	31,777	33,243	15,943	273,364	397,610
Michigan Veterans' Trust	6,323	43,670	-0-	-0-	-0-	-0-	-0-	-0-	49,993	48,718
Game and Fish Protection	30,188	251	-0-	-0-	-0-	-0-	-0-	-0-	30,439	-0-
Game and Fish Protection Trust	9,988	82,209	-0-	-0-	-0-	-0-	-0-	-0-	92,197	83,128
Michigan Civilian Conservation Corps	19,127	2,006	-0-	-0-	-0-	-0-	-0-	-0-	21,133	-0-
Michigan Natural Resources Trust	33,292	235,633	-0-	-0-	-0-	-0-	-0-	-0-	268,925	252,252
Michigan State Parks Endowment	12,251	95,495	-0-	-0-	-0-	-0-	-0-	-0-	107,746	93,725
Children's Trust	6,265	15,205	-0-	-0-	-0-	-0-	-0-	-0-	21,470	20,700
Nongame Fish and Wildlife Trust	5,992	752	-0-	-0-	-0-	-0-	-0-	-0-	6,744	-0-
State Lottery - Deferred Prize	7,463	818,104	-0-	-0-	-0-	-0-	-0-	-0-	825,567	832,132
Michigan Higher Education Assistance Authority	-0-	1,510	-0-	-0-	-0-	-0-	-0-	-0-	1,510	1,431
Michigan Education Trust, Plans I and II	129,656	388,114	278,271	18,321	-0-	-0-	-0-	-0-	814,362	767,669
Gift, Bequests and Deposits Investment	24,030	14,289	-0-	91	-0-	-0-	-0-	-0-	38,410	45,505
Federal Housing Administration - Mortgage Escrow	884	-0-	-0-	-0-	-0-	-0-	-0-	-0-	884	1,217
Totals	\$3,660,168	\$6,327,913	\$4,862,637	\$18,962,076	\$44,567	\$4,241,169	\$6,906,286	\$2,987,682	\$47,992,498	\$55,180,624

The accompanying notes are an integral part of the financial schedules.

# Schedule 3



## Investment Revenues (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2001	2000
General	\$ 66,572		\$ 66,572	\$ 72,497
Counter - Cyclical Budget and Economic Stabilization	66,736		66,736	73,951
Game and Fish Protection	1,258	\$ 9	1,267	1,461
State Aeronautics	758		758	647
Michigan Veterans' Trust	263	4,759	5,022	3,258
State Trunkline	12,649		12,649	15,958
Michigan State Waterways	3,434		3,434	3,852
Blue Water Bridge	1,015		1,015	986
Michigan Transportation	10,985		10,985	13,271
Comprehensive Transportation	2,240		2,240	1,953
Marine Safety	302		302	390
Game and Fish Protection Trust	2,090	7,802	9,892	5,301
State Park Improvement	639		639	921
Forest Development	589		589	542
Recreation Bond - Local Projects	162		162	297
Michigan Conservation Endowment	1,113	73	1,186	1,374
Michigan Natural Resources Trust	7,546	19,095	26,641	15,309
Michigan State Parks Endowment	2,422	9,309	11,731	6,069
Safety Education and Training	162		162	179
Clean Michigan Initiative Bond - Local Projects	(107)		(107)	2
Environmental Protection Bond	2,083		2,083	1,630
Clean Michigan Initiative Bond - Environment Projects	2,749		2,749	3,767
Workplace Health and Safety	---		---	944
Bottle Deposits	6,188		6,188	6,144
State Construction Code	692		692	809
Children's Trust	622	1,366	1,988	582
Homeowner Construction Lien Recovery	159		159	208
Michigan Nongame Fish and Wildlife	346	28	374	320
1989 State Trunkline Bond Proceeds	112		112	135
1992 State Trunkline Bond Proceeds	583		583	798
1992 State Trunkline Critical Bridge Bond Proceeds	13		13	67
1992 Comprehensive Transportation Bond Proceeds	607		607	730
1994 State Trunkline Bond Proceeds	191		191	218
1996 State Trunkline Bond Proceeds	(25)		(25)	9
Michigan Merit Award Trust	4,617		4,617	4,136
Tobacco Settlement Trust	10,959		10,959	10,171
2001 Build Michigan III Bond Proceeds	1,923		1,923	---
2001 Build Michigan II - Garvee Bond Proceeds	1,819		1,819	---
Michigan Underground Storage Tank Financial Assurance	55		55	49
Liquor Purchasing Revolving	4,248		4,248	5,688
State Lottery Deferred Prize	4,184	104,468	108,652	67,691



# Schedule 3



**Continued.** . . (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2001	2000
Michigan Higher Education Assistance Authority	\$ ---	\$ 122	\$ 122	\$ 75
Urban Land Assembly Loan - MSF	---		---	215
State Sponsored Group Insurance	6,325		6,325	5,661
State Water Pollution Control Loan	1,117		1,117	1,117
Combined State Trunkline Bond and Interest Redemption	21		21	42
Combined Comprehensive Transportation Bond and Interest Redemption	1		1	55
Debt Service - MUSTFA - Financial Authority	115		115	109
Clean Michigan Initiative Bond - State Projects	376		376	848
Recreation Bond - State Projects	192		192	259
Legislative Retirement	441	(19,325)	(18,884)	19,062
State Police Retirement	177	(136,326)	(136,149)	146,279
State Employees' Retirement	1,136	(1,248,884)	(1,247,748)	1,378,453
Public School Employees' Retirement	6,424	(4,518,187)	(4,511,763)	4,818,123
Judges' Retirement	252	(30,978)	(30,726)	44,467
Michigan Employment Security Act Contingent	4,625		4,625	5,560
Michigan Education Trust	---	79,260	79,260	40,234
Vietnam Veterans' Memorial Monument	55		55	33
Children's Institute Trust	6		6	7
Gifts, Bequests, and Deposits Investment	1,834	949	2,783	2,239
Silicosis, Dust Disease, and Logging Industry Compensation	260		260	463
Second Injury	817		817	1,335
Hospital Patients' Trust	35		35	53
Federal Housing Administration - Mortgages Escrow	---	7	7	6
Self-Insurers' Security	180		180	177
Workers' Disability Compensation Multiple Trust	---		---	4
Hazardous and Solid Waste Disposal Facilities Closure Guarantee	145		145	170
Urban Land Assembly Loan	---		---	12
Utility Consumer Representation	92		92	90
Bankrupt Self-Insured Corporations' Workers' Disability Fund #1	6		6	34
Bankrupt Self-Insured Corporations' Workers' Disability Fund #5	---		---	3
Bankrupt Self-Insured Corporations' Workers' Disability Fund #6	---		---	2
Bankrupt Self-Insured Corporations' Workers' Disability Fund #10	24		24	26
Bankrupt Self-Insured Corporations' Workers' Disability Fund #11	15		15	20
Bankrupt Self-Insured Corporations' Workers' Disability Fund #12	26		26	29
Fred Sanders, Inc., Workers' Compensation Trust	3		3	2
Transportation Related Trust	(46)		(46)	128
<b>TOTALS</b>	<b>\$247,607</b>	<b>\$(5,726,453)</b>	<b>\$(5,478,846)</b>	<b>\$6,787,706</b>

The accompanying notes are an integral part of the financial schedules.



# Notes to Financial Schedules



## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

### a. Report Presentation

The accompanying financial schedules report the assets and equities of the State Treasurer's common cash (Schedule 1), investment portfolios of specific funds (Schedule 2), and investment revenues of the common cash and specific funds (Schedule 3).

The State Treasurer's common cash and specific funds are accounted for in various funds of the State of Michigan and reported in the *State of Michigan Comprehensive Annual Financial Report*.

The *State of Michigan Comprehensive Annual Financial Report* provides more extensive general disclosures regarding the State Treasurer's common cash and deposits and investments. These disclosures provide information regarding market values and risk levels of the deposits and investments.

**Common Cash Pool.** The State Treasurer, under the authority provided by state statute, manages the State's common cash pool. The pooling of cash allows the State Treasurer to invest money not needed to pay immediate obligations so that investment earnings on available cash are maximized. Pool investments are not segregated by fund; rather, each contributing fund's balance is treated as equity in the common cash pool.

**Investments.** The State Treasurer, under authority provided by state statutes, manages most investments for the State of Michigan.

*Short-Term Investments:* This category includes each of the listed fund's individually held short-term investments by classification, the fund's equity in the State Treasurer's common cash pool, and receivables and payables pertaining to security trades not yet settled at fiscal year-end.

*Alternative Investments:* These investments consist of limited partnerships, preferred stock, common stock, corporate bonds and notes, and convertible bonds.

*Derivatives:* These are financial instruments whose value is derived from, or based on, an underlying security, asset, reference rate or index. The State Treasurer only uses derivative securities or related contractual agreements to hedge assets held or to replicate asset returns. Derivatives are not used for speculation or to leverage the investment portfolios.

The State Treasurer does not employ the use of derivatives in the investment of the State Treasurer's common cash pool or the investment of trust funds other than the pension trust funds.

The State Treasurer invests in derivatives as detailed below:

- *U.S. Passive Equities (Derivatives):* These investments are equity index hedge and replication of return strategies and are categorized as Common Stock.

The pension trust fund portfolios have been invested from time to time in derivative securities and contracts related to U.S. passive equity funds. On September 30, 2001, such synthetic index investment strategies comprised approximately 0.5 percent of the total pension trust funds.

- *International Equities (Derivatives):* These investments are swap agreements.

Swap agreements, which are tied to stock market indices in twenty-two foreign countries, are the core international equity investment strategy. These contractual agreements are made with large global banks and brokerage firms, and represented approximately 6.4 percent of the total pension trust funds on September 30, 2001.

*Separately issued financial reports including financial statements and required supplementary information are issued for the pension trust funds. These reports provide more extensive disclosures for derivatives.*

### b. Basis of Accounting

Schedule 1, *State Treasurer's Common Cash - Assets and Equities*, is presented on the cash basis of accounting. (The *State of Michigan Comprehensive Annual Financial Report's* disclosure regarding the State Treasurer's



common cash includes \$13.8 million in interest receivable, because it is presented on the modified accrual basis of accounting.) Schedule 2, *Investment Portfolios of Specific Funds*, and Schedule 3, *Investment Revenues*, are reported on the accrual basis of accounting.

These financial schedules are not intended to constitute a complete financial presentation of either the Department of Treasury or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

#### **c. Valuations of Investments**

**Schedule 1.** All investments are reported at cost.

Demand deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system.

The market value of prime commercial paper at September 30, 2001 and 2000 was \$4,560.5 and \$5,219.4 million, respectively.

**Schedule 2.** Methods used to value investments:

All investments are reported at fair value, except for short-term investments, which are reported at cost. Securities traded on a national exchange are valued at last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

#### **d. Securities Lending Transactions**

Under the authority of Act No. 314 of the Public Acts of 1965, the State lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. One of the State's custodial banks manages the securities lending program and receives securities as collateral. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. The collateral securities cannot be pledged or sold by the State and the State receives collateral in the amount of 102 percent of the market value of the securities lent. The types of securities lent are government securities, corporate bonds and equities, and the collateral received is cash, cash equivalents, and U.S. Treasury securities. There is no restriction on the amount of securities lent. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2001 the State had no outstanding credit risk. The market value of the securities lent at September 30, 2001 and 2000 was \$2,250.0 and \$1,479.3 million respectively.

### **NOTE 2: CHANGE IN REPORTING OF FUNDS**

*Effective for fiscal year ended September 30, 2000:*

The Clean Michigan Initiative Bond Fund-Local Projects, Michigan Merit Award Trust, Tobacco Settlement Trust, Urban Land Assembly Loan Fund, and Clean Michigan Initiative Bond Fund-State Projects were added as new funds participating in the Common Cash Fund on Schedule 3. Municipal Employees' Retirement, Bankrupt Self-Insured Corporations' Workers' Disability Fund #4, Bankrupt Self-Insured Corporations' Workers' Disability Fund #7, and Bankrupt Self-Insured Corporations' Workers' Disability Fund #9 were removed from Schedule 3. State Employees' Deferred Compensation Fund I (457), State Employees' Deferred Compensation Fund II (401(k)), and State Employees' Defined Contribution Retirement Fund were not reported for the FYE 2000 on Schedule 2 and 3 due to the transfer of these funds, within the State, to the Department of Management and Budget, Office of Retirement Systems.

*Effective for fiscal year ended September 30, 2001:*

The 2001 Build Michigan III Bond Proceeds and 2001 Build Michigan II-Garvee Bond Proceeds were added as new funds participating in the Common Cash Fund on Schedule 3. Bankrupt Self-Insured Corporations' Workers' Disability Fund #2 and #8 were removed from Schedule 3. State Employees' Deferred Compensation Fund I (457), State Employees' Deferred Compensation Fund II (401(k)), and State Employees' Defined Contribution Retirement Fund were removed from Schedule 2 and 3. Game and Fish Protection Fund, Michigan Civilian Conservation Corps Fund, and Nongame Fish and Wildlife Trust Fund were added to Schedule 2.

# Cash and Investments

The State Treasurer manages the State's cash so funds not needed to pay immediate obligations are invested to earn income. Investments include time certificates of deposit and prime commercial paper as detailed in Schedule 1, *State Treasurer's Common Cash - Assets and Equities*.

Statutes also allow the State Treasurer to loan funds from the common cash pool to financially troubled municipalities in Michigan and to make common cash available to Michigan farmers experiencing financial stress.

The common cash fund pools the cash balances of certain State funds until paid as provided by law. Manageable common cash includes the following funds:

- General
- School Aid
- Budget Stabilization
- Special Revenue and Enterprise
- Internal Service
- Trust and Agency

The State Treasurer is authorized to transfer cash on hand and on deposit among these funds to best manage the available cash, maximize short-term investment earnings and ensure that State obligations are paid when due.

## Table 1



### Investment Revenues for Fiscal Years 1992-2001 (In Thousands of Dollars)

Fiscal Year	General Fund Common Cash Earnings (Expenses) <sup>(a)</sup>	Public School Employees' Retirement	State Employees' Retirement	State Police Retirement	Judges' Retirement	Probate Judges' Retirement <sup>(b)</sup>	Other Investment Funds	Totals <sup>(c)</sup>
2001	\$ 66,572	\$(4,511,763)	\$(1,247,748)	\$(136,149)	\$(30,726)	---	\$380,968	\$(5,478,846)
2000	72,497	4,818,123	1,378,453	146,279	44,467	---	327,887	6,787,706
1999	20,690	5,124,436	1,482,096	158,055	53,345	---	605,413	7,444,035
1998	(17,192)	2,443,513	718,011	76,461	26,467	---	497,425	3,744,685
1997	(72,004)	5,794,850	1,699,093	178,693	61,992	---	738,364	8,400,988
1996	(64,749)	3,325,848	965,921	101,983	35,277	---	759,728	5,124,008
1995	(67,292)	1,381,419	407,813	41,579	14,731	---	448,830	2,227,080
1994	(10,487)	1,112,592	328,409	33,787	12,001	---	396,095	1,872,397
1993	(1,176)	1,165,741	337,276	35,656	12,426	\$1,187	357,083	1,908,193
1992	(3,747)	814,420	244,287	26,341	8,343	1,184	332,244	1,423,076

(a)

Fiscal Year Ending	Total State Treasurer's Common Cash Fund and General Obligation Note Retirement Fund Earnings	Distribution of Earnings to Retirement and Other Funds Reported in Their Earnings	General Fund Common Cash Earnings (Expenses)
2001	\$ 247,607	\$ 181,035	\$ 66,572
2000	277,698	205,201	72,497
1999	163,811	143,121	20,690
1998	143,222	160,414	(17,192)
1997	100,067	172,071	(72,004)
1996	99,461	164,210	(64,749)
1995	97,125	164,417	(67,292)
1994	64,435	74,922	(10,487)
1993	50,748	51,924	(1,176)
1992	57,069	60,816	(3,747)

(b) Effective fiscal year 1993, the Probate Judges' Retirement Fund was combined with the Judges' Retirement Fund.

(c) Effective October 1, 1997, revenues for nonretirement funds include unrealized gains and losses. Retirement funds were reported at fair value effective October 1, 1996.

**Table 2**

## Statement of Actual Available Month-End Common Cash (In Millions of Dollars)

Month	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash <sup>(a)</sup>	Retirement Funds	Bond Funds <sup>(b)</sup>	Total Common Cash <sup>(c)</sup>
October 2000	\$ 1,898.7	\$ 1,264.4	\$ 1,769.7	\$ 4,932.8	\$ 189.7	\$ 130.0	\$ 5,252.5
November	1,883.4	1,232.4	1,795.5	4,911.3	193.8	180.9	5,286.0
December	1,730.5	1,232.4	1,861.3	4,824.2	255.6	170.1	5,249.9
January 2001	1,740.7	1,253.5	1,969.8	4,964.0	179.4	168.3	5,311.7
February	1,391.4	1,253.5	1,967.0	4,611.9	152.0	157.8	4,921.7
March	731.9	1,253.5	2,043.7	4,029.1	168.8	147.6	4,345.5
April	806.7	1,272.2	2,148.0	4,226.9	263.4	135.4	4,625.7
May	420.9	1,272.2	2,083.5	3,776.6	123.3	127.1	4,027.0
June	(4.5)	1,272.2	1,836.7	3,104.4	168.9	113.6	3,386.9
July	(22.4)	1,287.1	1,781.1	3,045.8	190.5	436.7	3,673.0
August	(527.3)	1,287.1	1,844.8	2,604.6	147.1	374.6	3,126.3
September	1,091.5	994.2	1,782.5	3,868.2	143.1	578.2	4,589.5

(a) Manageable Common Cash includes the General, School Aid and Budget Stabilization Funds; Special Revenue, Enterprise, Internal Service, Trust and Agency Funds; and State Building Authority Advance Financing Funds. The State Treasurer is authorized to transfer cash on hand and on deposit among these funds in such a manner as to best manage the available cash on hand.

(b) Includes Debt Service, Capital Projects and Bond Funds.

(c) Includes Manageable Common Cash, Retirement, Debt Service, Capital Projects and Bond Funds.

**Table 3**

## Common Cash History (In Millions of Dollars)

Fiscal Year Ended	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash <sup>(a)</sup>	Retirement Funds	Bond Funds <sup>(b)</sup>	Total Common Cash <sup>(c)</sup>
September 1992 <sup>(d)</sup>	\$ (210.0)	\$ 188.6	\$ 869.0	\$ 847.6	\$ 235.8	\$ 520.3	\$ 1,603.7
September 1993 <sup>(d)</sup>	32.7	20.7	1,067.6	1,121.0	238.6	349.2	1,708.8
September 1994 <sup>(d)</sup>	226.2	311.7	1,307.8	1,845.7	356.8	309.8	2,512.3
September 1995	(342.6)	1,083.4	1,369.1	2,109.9	586.0	352.2	3,048.1
September 1996	(700.0)	1,173.4	1,387.8	1,861.2	298.2	205.2	2,364.6
September 1997	(493.9)	1,152.4	1,339.6	1,998.1	133.4	143.5	2,275.0
September 1998	136.0	1,000.5	1,426.3	2,562.8	140.3	264.2	2,967.3
September 1999	1,068.3	1,222.5	1,423.9	3,714.7	142.9	130.2	3,987.8
September 2000	1,631.6	1,264.4	1,996.1	4,892.1	186.2	153.4	5,231.7
September 2001	1,091.5	994.2	1,782.5	3,868.2	143.1	578.2	4,589.5

(a) Manageable Common Cash includes the General, School Aid and Budget Stabilization Funds; Special Revenue, Enterprise, Internal Service, Trust and Agency Funds; and State Building Authority Advance Financing Funds. The State Treasurer is authorized to transfer cash on hand and on deposit among these funds in such a manner as to best manage the available cash on hand.

(b) Includes Debt Service, Capital Projects and Bond Funds.

(c) Includes Manageable Common Cash, Retirement, Debt Service, Capital Projects and Bond Funds. Fiscal years 1992 through 1994 include Imprest Cash and/or transactions in process.

(d) General and School Aid Funds balance includes \$10.8 million of transactions in process for 1992, \$18.6 million for 1993 and \$26.1 million for 1994.

# Table 4



## State Treasurer's Common Cash Fund, Cash Balances and Transactions by Fund (In Thousands of Dollars)

Fund	Cash Balances 10-1-00	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-01	Warrants Outstanding	Available Balances 9-30-01
<b>GENERAL AND SCHOOL AID</b>								
General	\$1,480,868	\$26,650,305	\$26,787,262	\$1,626,028	\$1,625,945	\$1,343,992	\$134,908	\$1,209,084
School Aid	302,168	9,514,340	10,926,149	995,228	2,889	(117,303)	304	(117,607)
Total General and School Aid	\$1,783,035	\$36,164,644	\$37,713,412	\$2,621,256	\$1,628,834	\$1,226,689	\$135,212	\$1,091,477
<b>BUDGET STABILIZATION</b>								
Counter-Cyclical Budget and Economic Stabilization	\$1,264,434	\$66,736	\$ -0-	\$ -0-	\$336,983	\$994,187	\$ -0-	\$994,187
Total Budget Stabilization	\$1,264,434	\$66,736	\$ -0-	\$ -0-	\$336,983	\$994,187	\$ -0-	\$994,187
<b>SPECIAL REVENUE</b>								
Game and Fish Protection	\$ 22,840	\$ 53,533	\$ 56,794	\$ 12,021	\$ 1,415	\$ 30,186	\$ 420	\$ 29,766
Michigan Employment Security Act - Administration	(2,329)	118,648	125,460	10,303	1,902	(741)	1,424	(2,165)
State Aeronautics	13,938	110,258	130,009	17,160	265	11,082	891	10,191
Michigan Veterans' Trust	4,100	10,695	8,443	-0-	28	6,323	2	6,322
State Trunkline	368,113	768,389	1,498,243	803,571	61,563	380,268	6,786	373,482
Michigan State Waterways	66,041	11,366	25,459	14,785	373	66,359	314	66,045
Blue Water Bridge	15,115	16,904	12,650	-0-	2,350	17,019	4	17,015
Michigan Transportation	177,929	1,902,417	908,319	1,990	992,041	181,976	1,430	180,546
Comprehensive Transportation	82,727	104,304	252,412	158,814	23,781	69,653	876	68,777
Marine Safety	7,269	5,224	5,063	-0-	1,091	6,339	835	5,503
Game and Fish Protection Trust	48,361	48,655	74,996	-0-	12,032	9,988	-0-	9,988
State Park Improvement	17,070	27,601	30,080	-0-	205	14,385	92	14,293
Forest Development	9,649	23,565	22,061	-0-	132	11,022	126	10,896
Michigan Civilian Conservation Endowment	22,114	1,180	4,160	-0-	7	19,127	8	19,119
Michigan Natural Resources Trust	181,848	114,798	253,311	-0-	10,044	33,292	861	32,431
Michigan State Parks Endowment	54,741	28,660	81,119	10,000	30	12,251	44	12,207
Safety Education and Training	3,427	6,630	6,187	-0-	46	3,824	46	3,778
Uninsured Employers' Security	1,253	-0-	773	-0-	-0-	479	-0-	479
Bottle Deposits	120,602	42,405	27,658	16,602	509	151,442	42	151,399
State Construction Code	12,470	12,127	10,017	-0-	86	14,494	12	14,483
Children's Trust	13,944	12,558	20,278	53	11	6,265	24	6,241
State Casino Gaming	(828)	27,363	13,023	-0-	2,135	11,376	140	11,236
Homeowner Construction Lien Recovery	3,047	625	902	-0-	14	2,756	12	2,744
Michigan Nongame Fish and Wildlife	6,998	542	1,542	-0-	5	5,992	14	5,979
Michigan Merit Award Trust	103,885	135,241	95,536	-0-	-0-	143,590	172	143,418
Tobacco Settlement Trust	183,808	141,583	75,904	-0-	70,000	179,487	465	179,022
Michigan Underground Storage Tank Financial Assurance (MUSTFA)	4,211	57,971	4,944	3,000	58,160	2,078	4	2,074
State Building Authority Advance Financing	(22,195)	253,886	390,649	459	15,198	(173,697)	4,252	(177,949)
Michigan Strategic	179,427	48,713	143,085	230,232	114,903	200,384	1,670	198,714
Total Special Revenue	\$1,699,572	\$4,085,841	\$4,279,078	\$1,278,989	\$1,368,326	\$1,416,998	\$20,966	\$1,396,032

# Table 4



## Continued... (In Thousands of Dollars)

Fund	Cash Balances 10-1-00	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-01	Warrants Outstanding	Available Balances 9-30-01
<b>BOND, DEBT SERVICE AND CAPITAL PROJECTS</b>								
Recreation Bond - Local Projects	\$ 4,044	\$ 162	\$ 1,351	\$ -0-	\$ 2	\$ 2,853	\$ 1	\$ 2,852
Clean Michigan Initiative Bond - Local Projects	(92)	-0-	6,042	-0-	1	(6,135)	7	(6,142)
Clean Michigan Initiative Bond - Environmental Projects	62,467	2,749	31,525	-0-	5	33,686	338	33,347
Environmental Protection Bond	2,392	63,229	34,604	-0-	16,602	14,415	425	13,990
School Bond Loan	30,873	81,337	111,161	-0-	0	1,050	-0-	1,050
1989 State Trunkline Bond Proceeds	2,277	112	287	-0-	3	2,100	-0-	2,100
1992 State Trunkline Bond Proceeds	13,147	9,592	13,732	-0-	2	9,004	595	8,410
1992 State Trunkline Critical Bridge Bond Proceeds	247	13	0	-0-	1	260	-0-	260
1992 Comprehensive Transportation Bond Proceeds	11,696	609	4,560	-0-	3	7,742	2	7,741
1994 State Trunkline Bond Proceeds	4,295	1,727	3,633	2	1	2,391	10	2,381
1996 State Trunkline Bond Proceeds	-0-	(25)	-0-	28	3	-0-	-0-	-0-
2001 Build Michigan III Bond Proceeds	-0-	314,046	66,447	-0-	4,008	243,591	761	242,830
2001 Build Michigan II - GARVEE Bond Proceeds	-0-	409,311	146,812	-0-	995	261,504	134	261,370
Combined State Trunkline Bond and Interest Redemption	-0-	-0-	48,196	48,196	-0-	-0-	-0-	-0-
Combined Comprehensive Transportation Bond and Interest Redemption	-0-	28,366	50,063	21,698	1	-0-	-0-	-0-
MUSTFA Finance Authority Debt Service	6,930	3,114	59,171	57,912	3,000	5,785	-0-	5,785
Recreation and Environmental Protection Bond Redemption	6	-0-	64,687	64,682	-0-	1	-0-	1
School Loan Bond Redemption	5	-0-	26,768	26,763	-0-	-0-	-0-	-0-
Clean Michigan Initiative Bond - State Projects	12,575	376	13,485	-0-	-0-	(534)	17	(551)
Recreation Bond - State Projects	4,063	192	1,454	-0-	2	2,800	-0-	2,800
<b>Total Bond, Debt Service and Capital Projects</b>	<b>\$154,925</b>	<b>\$914,911</b>	<b>\$683,977</b>	<b>\$219,282</b>	<b>\$24,630</b>	<b>\$580,511</b>	<b>\$2,289</b>	<b>\$578,222</b>
<b>ENTERPRISE</b>								
Liquor Purchasing Revolving	\$56,605	\$ 606,124	\$ 482,943	\$ -0-	\$127,393	\$52,393	\$ 142	\$52,251
State Lottery	7,221	1,066,127	477,508	-0-	588,377	7,463	1,563	5,901
Michigan Higher Education Assistance Authority	-0-	1,583	1,583	-0-	-0-	-0-	-0-	-0-
Michigan State Housing Development Authority	-0-	88,125	88,125	-0-	-0-	-0-	440	(440)
State Water Pollution Control Loan	18,371	99,168	98,012	-0-	-0-	19,527	-0-	19,527
<b>Total Enterprise</b>	<b>\$82,197</b>	<b>\$1,861,127</b>	<b>\$1,148,171</b>	<b>\$ -0-</b>	<b>\$715,770</b>	<b>\$79,384</b>	<b>\$2,144</b>	<b>\$77,240</b>
<b>INTERNAL</b>								
Correctional Industries Revolving	\$ 5,298	\$ 39,591	\$ 40,025	\$ -0-	\$ 186	\$ 4,677	\$ 571	\$ 4,107
Motor Transport Revolving	(10,305)	67,837	70,996	-0-	30	(13,493)	40	(13,533)
Office Services Revolving	(4,564)	57,762	59,220	-0-	28	(6,050)	903	(6,953)
Information Technology Internal Service	(6,851)	122,522	122,275	-0-	-0-	(6,603)	4,171	(10,775)
Risk Management	14,445	54,461	58,799	-0-	-0-	10,106	51	10,055
State-Sponsored Group Insurance	96,415	799,277	747,088	-0-	-0-	148,604	670	147,934
<b>Total Internal</b>	<b>\$94,439</b>	<b>\$1,141,450</b>	<b>\$1,098,403</b>	<b>\$ -0-</b>	<b>\$244</b>	<b>\$137,241</b>	<b>\$6,405</b>	<b>\$130,836</b>



# Table 4



## Concluded... (In Thousands of Dollars)

Fund	Cash Balances 10-1-00	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-01	Warrants Outstanding	Available Balances 9-30-01
<b>RETIREMENT</b>								
Legislative	\$ 6,024	\$ 174,204	\$ 176,174	\$ -0-	\$ -0-	\$ 4,054	\$ 37	\$ 4,017
State Police	4,388	764,156	761,525	-0-	-0-	7,020	331	6,689
State Employees'	65,053	6,913,476	6,933,837	-0-	-0-	44,692	3,852	40,840
Public School Employees'	84,312	28,746,358	28,734,258	-0-	-0-	96,412	9,073	87,339
Judges'	34,458	381,317	411,448	-0-	-0-	4,327	64	4,263
Total Retirement	\$194,235	\$36,979,511	\$37,017,241	\$ -0-	\$ -0-	\$156,505	\$13,357	\$143,148
<b>TRUST AND AGENCY</b>								
Michigan Employment Security Act Contingent	\$ 82,896	\$ 17,526	\$ -0-	\$ -0-	\$ 12,856	\$ 87,565	\$ -0-	\$ 87,565
Vietnam Veterans' Memorial Monument	976	187	15	-0-	-0-	1,148	-0-	1,148
Bankrupt Self Insured Corporations' Workers' Disability Fund #13	440	24	-0-	-0-	-0-	464	-0-	464
Bankrupt Self Insured Corporations' Workers' Disability Fund #11	287	15	6	-0-	-0-	296	-0-	296
Bankrupt Self Insured Corporations' Workers' Disability Fund #12	483	26	-0-	-0-	-0-	509	-0-	509
Metropolitan Planning	-0-	188	188	-0-	-0-	-0-	-0-	-0-
Children's Institute Trust	105	6	-0-	-0-	-0-	111	-0-	111
Abandoned and Unclaimed Property (Escheats)	21,548	34,036	360	740	34,904	21,060	1,026	20,034
Gifts, Bequests and Deposits Investment	31,180	72,861	77,835	-0-	2,176	24,030	1,021	23,009
Silicosis, Dust Disease, and Logging Industry Compensation	5,825	3,209	3,902	-0-	7	5,125	124	5,001
Assigned Claims Plan	352	89,973	89,448	-0-	743	134	1	133
Agricultural College Fund - Morrill Act	1,059	-0-	-0-	-0-	1,059	-0-	-0-	-0-
Second Injury	16,219	41,785	23,741	-0-	20	34,243	537	33,706
Hospital Patients' Trust	808	2,899	3,331	-0-	-0-	377	46	331
Federal Housing Administration Mortgages Escrow	1,103	268	651	-0-	-0-	720	108	612
Self-Insurers' Security	2,851	3,897	3,413	505	5	3,833	22	3,811
State Employees' Deferred Comp. I (457)	-0-	52,626	52,058	-0-	-0-	568	-0-	568
State Employees' Deferred Comp. II (401(k))	-0-	113,533	113,069	-0-	-0-	464	-0-	464
State Employees' Defined Contribution Plan	-0-	60,071	60,040	-0-	-0-	31	-0-	31
Special Assessment Deferment	506	215	214	-0-	-0-	507	-0-	507
Environmental Quality Deposits	2,440	1,464	496	-0-	-0-	3,407	-0-	3,407
Insurance Carrier Deposits	2,579	48,665	50,225	-0-	-0-	1,018	145	873
Utility Consumer Representation	1,582	987	648	-0-	1	1,921	-0-	1,921
Bankrupt Self Insured Corporations' Workers' Disability Fund #1	505	-0-	-0-	-0-	505	-0-	-0-	-0-
Bankrupt Self Insured Corporations' Workers' Disability Fund #15	54	3	-0-	-0-	-0-	57	-0-	57
Transportation Related Trust	(3,345)	236,013	243,700	6,300	8	(4,740)	1,494	(6,234)
State Treasurer's Escrow and Paying Agent	-0-	44	44	-0-	-0-	-0-	-0-	-0-
Total Trust and Agency	\$ 170,452	\$ 780,519	\$ 723,384	\$ 7,545	\$ 52,285	\$ 182,846	\$ 4,524	\$ 178,322
GRAND TOTALS	\$5,443,289	\$81,994,739	\$82,663,666	\$4,127,071	\$4,127,071	\$4,774,361	\$184,897	\$4,589,464

(a) Receipts include \$30,580.77 million of securities sold and matured.

(b) Disbursements include \$29,942.91 million of securities purchased.

# Table 5



## Demand Depositories as of September 30, 2001 (In Thousands of Dollars)

City	Depository Bank	Deposits <sup>(a)</sup>	City	Depository Bank	Deposits <sup>(a)</sup>
Adrian	Sky Bank	\$ 149	Kalamazoo	National City Bank	\$ 6,649
	Bank of Lenawee	115	L'Anse	Commercial National Bank	29
Alma	Firstbank, Alma	113	Lansing	Michigan National Bank - Credit Card	109
Bad Axe	Signature Bank	46		Michigan National Bank - Main Acct.	6,771
Baldwin	Lake Osceola State Bank	159	Lapeer	Lapeer County Bank and Trust	88
Benton Harbor	Chemical Bank Shoreline	316	Manistique	North Country Bank	142
Beulah	Central State Bank	24		State Savings Bank	16
Cadillac	Chemical Bank - West	518	Marquette	Wells Fargo Bank, Michigan	840
Caro	Independent Bank - East Michigan	2	Marshall	Chemical Bank South	59
Cheboygan	Citizens National Bank	67	Mason	Mason State Bank	447
Chelsea	Chelsea State Bank	21	Midland	Chemical Bank and Trust	395
Coldwater	Century Bank and Trust	139	Monroe	Monroe Bank and Trust	238
	Southern Michigan National Bank	55	Mt. Pleasant	Isabella Bank and Trust	46
Croswell	Eastern Michigan Bank	12	Munising	Peoples State Bank of Munising	31
Crystal Falls	First National Bank	11	Newberry	Tahquamenon Area Credit Union	18
Detroit	Bank One - Income Tax	26,269	Norway	First National Bank	10
	Bank One - Main Acct.	62,235	Ontonagon	Citizens State Bank	39
	Comerica Bank - Detroit	10,094	Port Austin	Port Austin State Bank	4
	Comerica Bank - ACH Service	2,598	Rockford	Independent Bank - West Michigan	20
	First Independence National Bank	200	St. Charles	Community State Bank	53
Eastpointe	First State Bank	158	St. Ignace	First National Bank	61
East Tawas	Huron Community Bank	97	St. Joseph	Fifth Third Bank	71
Escanaba	Northern Michigan National Bank	12	Sault Ste. Marie	Central Savings Bank	8
	State Bank of Escanaba	95		Soo Co-Op Credit Union	6
Fenton	The State Bank	110	Shelby	Shelby State Bank	37
Flint	Citizens Banking Corporation	2,923	Sparta	Choice One	74
Gladstone	Bay Bank	3	Stockbridge	Stockbridge State Bank	6
	First Bank Upper Michigan	15	Three Rivers	First National Bank	54
Grand Rapids	Fifth Third Bank	2,515	Wakefield	First National Bank	49
Hancock	Superior National Bank and Trust	127	West Branch	Firstbank, West Branch	22
Hastings	National Bank of Hastings	74	Zeeland	Huntington National Bank	2,012
Hillsdale	Hillsdale County National Bank	65	Total		\$ 128,084
Ionia	Independent Bank	173			
	Ionia County National Bank	79			
Iron Mountain	First National Bank of Iron Mountain	54			
Ishpeming	Peninsula Bank	28			
Ithaca	Commercial National Bank	6			

(a) Deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system. Deposits are rounded to the nearest thousand and are secured by \$578 million of collateral.



# Bonds and Notes

The Michigan Constitution limits State general obligation debt to (1) short-term debt for State operating purposes, (2) short- and long-term debt for the purpose of making loans to school districts, and (3) long-term debt for voter-approved purposes.

Short-term debt for operating purposes is limited to an amount not in excess of 15 percent of undedicated revenues received during the preceding fiscal year. Under the Michigan Constitution as implemented by statutory provisions, such debt must be authorized by the State Administrative Board and issued only to meet obligations incurred pursuant to appropriation and must be repaid during the fiscal year in which it was incurred. Such debt does not require voter approval.

The amount of debt incurred by the State for the purpose of making loans to school districts is recommended by the State Treasurer, who certifies the amounts necessary for loans to school districts semiannually. The bonds may be issued in whatever amount is required without voter approval. All other general obligation bonds issued by the State must be approved as to amount, purpose, and method of payment by a two-thirds vote of each house of the Legislature and by a majority vote of the public at a general election.

There is no limitation as to number or size of such general obligation issues.

## General Obligation Debt

All current general obligation bond and note issues are presented in Table 6, *General Obligation Debt, Bond and Note Payments*, below. During fiscal 2001, the State issued \$60 million of Environmental Protection long-term debt and \$81.3 million in School Bond Loan Program long-term debt.

## Special Authority Revenue Bond Debt

Certain governmental authorities issue revenue bonds for construction projects and to acquire or build facilities for the State or its institutions of higher learning. These bonds, as shown in Table 7, *Special Authority Revenue Bond Debt*, are obligations of the individual authorities and are not direct general obligations of the State.

## Special Revenue Debt

The State periodically issues long-term bonds for specific purposes, as presented in Table 11, *Special Revenue Debt, Bond and Note Payments*. These issues are not supported by the State's general credit, and their financing comes strictly from the designated revenue sources.



## Table 6

### General Obligation Debt, Bond and Note Payments (In Thousands of Dollars)

Item		Issue Date	Maturity Dates	New Issues	Principal Payments	Interest Payments*	Outstanding Principal as of 9-30-01
School Loan Notes and Bonds (a)	Series 1995 (b)	1995	1996-2015	\$ -0-	\$ 6,565	\$ 6,686	\$ 65,330
	Series 1998	1998	2000-2017	-0-	5,925	7,588	154,075
	Series 2000	2000	2001	-0-	44,500	2,219	-0-
	Series 2001 (Refunding)	2001	2002-2016	85,295	-0-	-0-	85,295
	Series 2001 Multi-Modal	2001	2005-2021	81,300	-0-	-0-	81,300
Environmental Protection (c)	Series 1989 (d)	1989	1994-2019	-0-	1,618	1,762	11,779
	Series 1992 (e)	1992	2005-2012	-0-	1,355	6,127	82,224
	Water Pollution 1992	1992	1994-2012	-0-	685	602	9,405
	Water Pollution 1993	1993	1995-2013	-0-	685	655	12,765
	Series 1995 (f)	1995	1996-2019	-0-	3,834	11,269	126,111
	Series 1998	1998	1998-2017	-0-	3,060	4,024	80,295
	Series 2000	2000	2001-2020	60,000	-0-	1,571	60,000
	Series 2001 (Refunding)	2001	2002-2016	97,985	-0-	-0-	97,985
Recreation (g)	Series 1992	1992	1993-2004	-0-	2,070	2,478	29,255
	Series 1995	1995	1996-2019	-0-	12,025	908	10,206
Clean Michigan Initiative (h)	Series 1999A	1999	2003-2019	-0-	-0-	4,506	81,765
	Series 1999B	1999	2000-2002	-0-	4,570	864	10,525
Total General Obligation Debt				\$324,580	\$86,892	\$51,259	\$998,315

(a) Article Nine of the Constitution of the State of Michigan provides that the State may borrow from time to time such amounts as shall be required for the purpose of making loans to school districts. Requirements are determined semiannually and General Obligation debt is issued as needed.

(b) \$84.5 million was advance refunded in May 2001 through General Obligation Refunding Bonds, Series 2001.

(c) P.A. 328 of 1988 provided for the issuance of \$660 million General Obligation Bonds, of which \$113.4 million remains.

(d) \$23.2 million was advance refunded in June 1995 through General Obligation Bonds, Series 1995. As of September 30, 2001, \$20.7 million of principal has been paid out leaving an escrowed principal liability as of September 30, 2001 of \$2.5 million. No interest was paid for fiscal year 2001.

(e) \$43.8 million was advance refunded in June 1995 through General Obligation Bonds, Series 1995. \$25.2 million was advance refunded in May 2001 through General Obligation Refunding Bonds, Series 2001. As of September 30, 2001, no principal was paid out leaving an escrowed principal liability as of September 30, 2001 of \$69.1 million. Interest paid for fiscal year 2001 was \$2.7 million.

(f) \$74.4 million was advance refunded in May 2001 through General Obligation Refunding Bonds, Series 2001.

(g) P.A. 329 of 1988 provided for the issuance of \$140 million General Obligation bonds, all of which have been issued.

(h) P.A. 284 of 1998 and P.A. 451 of 1994, as amended, provided for the issuance of \$675 million General Obligation bonds, of which \$578 million remains.

\* Interest payments do not include premium.



## Special Authority Revenue Bond Debt <sup>(a)</sup> (In Thousands of Dollars)

Item	New Issues	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-01
International Bridge Authority	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Mackinac Island State Park Commission	-0-	80	163	2,725 *
Michigan State Housing Development Authority (b)	291,440	338,861	116,243	2,010,900
Michigan State Hospital Finance Authority (c)	369,461	199,183	293,572	3,751,233 *
Michigan Higher Education Facilities Authority	78,915	9,795	14,512	293,575
Michigan Higher Education Student Loan Authority	215,535	121,765	41,026	929,365
Michigan Municipal Bond Authority	928,690	609,490	101,641	2,883,835
Michigan State Building Authority (d)	793,280	591,769	100,465	2,159,314 *
Michigan Strategic Fund	320,135	210	N/A	2,432,279 *
Michigan Underground Storage Tank Financial Assurance Authority (e)	-0-	14,350	9,485	152,520
Michigan Family Farm Development Authority	-0-	229	N/A	181
<b>Total Special Authority Revenue Bond Debt</b>	<b>\$2,997,456</b>	<b>\$1,885,732</b>	<b>\$677,107</b>	<b>\$14,615,927</b>

\* All or part of the principal amount not presented, and not represented in the totals due to the advance refunding of all or part of this obligation.

(a) Not administered by Department of Treasury. Information in the table is provided by each Authority.

(b) The new issues include \$290.6 million of new bond issues plus \$0.8 million of capital appreciation for the fiscal year.

(c) Balance includes \$3,572.5 million in bonds and \$178.7 million in Hospital Equipment Loan Program notes (HELP). Balance does not include MSHFA obligations that have been advance refunded. In FY 2001, net escrow payment activity was \$69.3 million leaving an escrow principal liability as of September 30, 2001 of \$1,055.3 million.

(d) Balance includes accreted value at year-end on outstanding Capital Appreciation Bonds. Balance does not include \$1,646.4 million in SBA obligations that have been advance refunded. In FY 2001, \$267.7 million in principal was paid out of escrow, leaving an escrow principal liability as of September 30, 2001 of \$694.1 million. Also, outstanding principal balance does not include commercial paper notes issued by the Authority. As of September 30, 2001, \$307.4 million of commercial paper notes was outstanding.

(e) Outstanding principal balance does not include notes issued under the Authority's tax-exempt commercial paper program during fiscal years 1995-2001. As of September 30, 2001, there are no notes outstanding.

**Table 8**

## General Obligation Bond Payment Schedule (In Thousands of Dollars)

For Period Ended September 30	Principal	Interest	Total
2002	\$ 46,221	\$ 52,790	\$ 99,011
2003	48,786	50,507	99,293
2004	48,206	48,464	96,670
2005	51,743	46,247	97,990
2006	54,183	42,529	96,712
2007	52,535	42,397	94,932
2008	56,634	38,499	95,133
2009	56,512	38,585	95,097
2010	58,089	36,063	94,152
2011	64,666	28,816	93,482
2012	64,390	28,608	92,998
2013	67,085	18,176	85,261
2014	56,285	14,855	71,140
2015	58,300	11,849	70,149
2016	61,450	8,716	70,166
2017	35,900	6,215	42,115
2018	45,055	4,247	49,302
2019	26,490	2,575	29,065
2020	27,680	1,346	29,026
2021	18,105	359	18,464
Total (a)	\$998,315	\$521,843	\$1,520,158

(a) Includes \$81.3 million in State of Michigan Multi-Modal General Obligation School Loan Bonds, Series A, assuming a 3.5% interest rate and maturing in years 2005 through 2021.

**Table 9**

## Bonds and Notes Payable by Fiscal Year (In Thousands of Dollars)

Item	Outstanding on September 30				
	1997	1998	1999	2000	2001
<b>GENERAL OBLIGATION DEBT</b>					
School Loans	\$174,445	\$328,670	\$322,650	\$316,370	\$386,000 *
Water Resources	9,000	4,000	-0-	-0-	-0-
Environmental Protection	368,914	450,727	439,851	421,652	480,565 *
Recreation	102,825	90,675	76,876	65,341	39,460
Clean Michigan Initiative				96,860	92,290
<b>Total General Obligation Debt</b>	<b>\$655,184</b>	<b>\$874,072</b>	<b>\$839,377</b>	<b>\$900,223</b>	<b>\$998,315</b>
<b>NON-GENERAL OBLIGATION DEBT</b>					
Michigan Department of Transportation Tax Dedicated Bonds	\$873,701	\$866,018	\$827,870	\$801,830	\$1,081,119 *
MDOT Grant Anticipation Notes	-0-	-0-	-0-	-0-	400,000
Special Authorities-Revenue Bonds and Notes					
International Bridge Authority	3,380	2,805	1,818	-0-	-0-
Mackinac Island State Park Commission	2,360	2,200	2,980	2,805	2,725 *
Michigan State Housing Development Authority	2,068,424	2,088,563	2,026,541	2,058,321	2,010,900
Michigan State Hospital Finance Authority	2,887,783	3,586,525	3,569,311	3,735,500	3,751,233 *
Michigan Higher Education Facilities Authority	174,745	218,190	220,395	228,845	293,575
Michigan Higher Education Student Loan Authority	672,949	817,425	782,360	835,595	929,365
Michigan Municipal Bond Authority	1,591,875	1,685,997	2,243,566	2,555,130	2,883,835
Michigan State Building Authority	1,616,717	1,996,787	1,945,086	1,957,803	2,159,314 *
Michigan Strategic Fund	2,088,621	2,182,659	2,011,684	2,322,470	2,432,279 *
Michigan Underground Storage Tank Financial Assurance Authority	205,950	193,555	180,540	166,870	152,520
Michigan Family Farm Development Authority	1,108	1,008	505	410	181
<b>Total Non-General Obligation Debt</b>	<b>\$12,187,613</b>	<b>\$13,641,732</b>	<b>\$13,812,656</b>	<b>\$14,665,579</b>	<b>\$16,097,046</b>

\* All or part of the principal amount not presented, and not represented in the totals due to the advance refunding of all or part of this obligation.

# Table 10



## Local Government Unit Bonds and Notes (In Thousands of Dollars)

Item (a)	1997		1998		1999		2000		2001	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
<b>SCHOOLS</b>										
Notes and Lines of Credit	283	\$ 465,788	273	\$ 550,839	230	\$ 442,489	242	\$ 609,060	245	\$ 723,039
Bonds	139	1,974,489	150	2,763,400	165	2,643,085	87	1,344,041	105	1,929,499
Community College Bonds and Notes	6	31,765	9	86,430	5	46,410	6	80,600	3	41,100
Energy Conservation Bonds and Notes	8	5,535	12	15,129	10	34,394	11	12,679	18	24,382
Other (b)	38	-0-	19	-0-	28	-0-	22	-0-	20	-0-
<b>Totals</b>	<b>474</b>	<b>\$2,487,577</b>	<b>463</b>	<b>\$3,415,798</b>	<b>438</b>	<b>\$3,166,378</b>	<b>368</b>	<b>\$2,046,380</b>	<b>391</b>	<b>\$2,718,020</b>
<b>MUNICIPALITIES</b>										
Tax Notes	54	\$ 286,127	50	\$ 295,410	50	\$ 281,734	45	\$ 342,370	40	\$ 346,205
Special Assessment Bonds	50	43,023	58	53,457	67	59,695	64	92,587	49	52,065
General Obligation Bonds	165	783,997	172	1,107,572	175	803,734	130	567,445	149	1,201,305
Revenue Bonds	72	1,307,247(c)	125	2,582,019(d)	110	806,485(e)	75	1,482,011(f)	87	3,440,194(g)
Drain Bonds (Act 40)	9	30,082	19	27,852	19	40,900	26	95,959	24	226,030
Transportation Fund Bonds (Act 51)	1	1,150	8	130,380	8	45,280	2	13,190	4	5,200
Transportation Fund Notes (Act 143)	3	2,155	3	6,150	6	16,895	6	6,250	10	23,145
Transportation Fund Bonds (Act 175)	18	19,895	19	33,985	17	23,084	18	43,105	15	12,685
Water and Sewer Bonds (Act 185)	33	320,522	35	88,023	40	139,515	17	58,864	23	86,770
Water and Sewer Bonds (Act 342)	11	22,492	-0-	-0-	14	55,765	9	28,610	9	28,625
Michigan and Michigan Authority (Bonds)	20	1,416,025	25	2,262,500	32	2,769,895	30	1,133,435	21	2,391,105
Michigan and Michigan Authority (Notes)	4	1,850,000	2	1,595,000	1	75,000	4	1,188,000	2	700,000
Miscellaneous Bonds and Notes	37	28,450	34	379,680	33	32,737	18	21,622	21	30,787
Other (b)	1	-0-	7	-0-	3	-0-	8	-0-	1	-0-
<b>Totals</b>	<b>488</b>	<b>\$6,111,165</b>	<b>557</b>	<b>\$ 8,562,028</b>	<b>575</b>	<b>\$5,150,719</b>	<b>452</b>	<b>\$5,073,447</b>	<b>455</b>	<b>\$ 8,544,116</b>
<b>GRAND TOTAL</b>	<b>962</b>	<b>\$8,598,742</b>	<b>1,020</b>	<b>\$11,977,826</b>	<b>1,013</b>	<b>\$8,317,097</b>	<b>820</b>	<b>\$7,119,827</b>	<b>846(h)</b>	<b>\$ 11,262,137</b>

(a) Figures reflect approvals granted as of September 30 of the respective year. Approved issues may or may not have been sold by the unit of local government.

(b) Includes transfer of debt service funds remaining after final maturity of original debt, use of excess bond proceeds and derivative products.

(c) Includes no issues of Industrial Revenue Bonds.

(d) Includes 2 issues of Industrial Revenue Bonds.

(e) Includes 3 issues of Industrial Revenue Bonds.

(f) Includes 3 issues of Industrial Revenue Bonds.

(g) Includes 1 issue of Industrial Revenue Bonds.

(h) Includes 128 Prior Approval Orders and 718 Exception From Prior Approval Orders Issued.

# Table 11



## Special Revenue Debt, Bond and Note Payments (In Thousands of Dollars)

Item	Issue Date	Maturity Dates	Amount issued	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-01
<b>Michigan Department of Transportation</b>						
Tax Dedicated Bonds Michigan	Series 1985	1985	2011	\$57,830	\$ 400	\$ 1,260
Comprehensive Transportation:	RF. SR. 1988-I	1988	2009	73,155	-0-	-0- *
	Series 1992-A	1992	2022	37,655	815	1,612
	RF. SR. 1992-B	1992	2011	127,310	9,575	6,515
	RF. SR. 1996-A	1996	2014	22,650	75	1,203
	RF. SR. 1998-A	1998	2010	38,640	-0-	1,901
	RF. SR. 2001-A	2001	2021	27,765	-0-	-0-
<b>State Trunkline Fund:</b>						
	Series 1989-A	1989	2019	135,780	-0-	-0-
	Series 1992-A	1992	2021	253,618	7,125	4,540
	RF. SR. 1992-B I & II	1992	2021	99,592	2,815	1,900
	Series 1994-A	1994	2024	150,000	2,660	1,291
	RF. SR. 1994-B	1994	2002	90,990	5,240	714
	SR. 1996-A	1996	2026	54,500	830	629
	RF. SR. 1998-A	1998	2026	377,890	-0-	19,455
	Series 2001-A	2001	2030	308,000	-0-	-0-
<b>MDOT Grant Anticipation Notes:</b>						
	Series 2001-A,B,C,D	2001	2008	400,000	-0-	995
<b>Total Special Revenue Debt</b>				<b>\$29,535</b>	<b>\$42,015</b>	<b>\$1,481,119</b>

\* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation. The table below summarizes the advance refunding activity by issue.

Series	Advanced Refunded From Series	Amount Refunded	FY 01 Paid From Escrow Principal	FY 01 Paid From Escrow Interest	FY 01 Escrow Balance
<b>Comprehensive Transportation:</b>					
1985	1988-II & 1992-B	\$ 27,176			\$ -0-
1992-A	1996-A	5,305	\$ -0-	\$ 299	5,100
1992-A	2001-A	27,340	-0-	-0-	27,340
<b>Trunkline Transportation:</b>					
1989-A	1992-B, 1994-B & 1998-A	111,245	-0-	-0-	-0-
1992-A	1998-A	131,195	-0-	7,241	131,195
1992-B I & II	1998-A	56,780	-0-	3,171	56,780
1994-A	1998-A	112,815	-0-	6,443	112,815
1996-A	1998-A	41,170	-0-	2,297	41,170
<b>Totals</b>			<b>\$ -0-</b>	<b>\$19,451</b>	<b>\$374,400</b>

# Treasury Administered Tax Collections

State taxes and fees totalling \$20,951,268 (in thousands) were collected during fiscal year 2001, which is a decrease of 2.0 percent over the previous year.

During fiscal year 2001, a number of changes were enacted to tax rates including reducing individual income tax and single business tax rates.

Major tax collections for fiscal year 2001 and the previous four years are detailed in Table 12, *Taxes and Fees Collected on a Cash Basis*, below.

Table 13, *Michigan State Taxes*, identifies all Michigan taxes and gives administrative information about each.

## Table 12



### Taxes and Fees Collected on a Cash Basis (In Thousands of Dollars)

Type of Revenue	10-1-96 to 9-30-97	10-1-97 to 9-30-98	10-1-98 to 9-30-99	10-1-99 to 9-30-00	10-1-00 to 9-30-01
<b>Income Tax:</b>					
Withholding Tax	\$ 5,755,797	\$ 6,096,765	\$ 6,480,945	\$ 6,715,569	\$ 6,636,961
Individual Income Tax	521,535	644,122	713,640	778,805	695,484
Individual Income Tax Estimates	605,749	651,597	839,077	866,548	784,278
Individual Income Tax Penalty and Interest	23,101	23,816	22,860	22,489	21,219
<b>Gross Individual Income Tax Collections</b>	<b>6,906,182</b>	<b>7,416,300</b>	<b>8,056,522</b>	<b>8,383,411</b>	<b>8,137,942</b>
Tax Refunds and Tax Credits (a)	(971,517)	(1,019,217)	(1,117,551)	(1,136,887)	(1,298,637)
<b>Net Individual Income Tax</b>	<b>\$ 5,934,665</b>	<b>\$ 6,397,083</b>	<b>\$ 6,938,970</b>	<b>\$ 7,246,524</b>	<b>\$ 6,839,304</b>
<b>Single Business Tax</b>	<b>\$ 2,369,332</b>	<b>\$ 2,500,815</b>	<b>\$ 2,605,948</b>	<b>\$ 2,520,405</b>	<b>\$ 2,356,745</b>
Single Business Tax Penalty and Interest	59,266	47,042	47,898	61,126	71,375
<b>Gross Single Business Tax</b>	<b>2,428,598</b>	<b>2,547,857</b>	<b>2,653,846</b>	<b>2,581,531</b>	<b>2,428,120</b>
Tax Refunds	(158,936)	(174,610)	(232,854)	(217,096)	(263,972)
<b>Net Single Business Tax</b>	<b>\$ 2,269,662</b>	<b>\$ 2,373,247</b>	<b>\$ 2,420,992</b>	<b>\$ 2,364,435</b>	<b>\$ 2,164,148</b>
<b>Motor Fuel Taxes</b>	<b>\$ 807,235</b>	<b>\$ 1,028,851</b>	<b>\$ 1,066,743</b>	<b>\$ 1,081,026</b>	<b>\$ 1,066,554</b>
<b>Sales Tax</b>	<b>5,375,659</b>	<b>5,565,908</b>	<b>5,918,067</b>	<b>6,240,769</b>	<b>6,364,641</b>
<b>Use Tax</b>	<b>1,095,817</b>	<b>1,151,208</b>	<b>1,293,931</b>	<b>1,327,630</b>	<b>1,343,760</b>
<b>Sales, Use, Withholding Penalty and Interest</b>	<b>60,787</b>	<b>56,980</b>	<b>62,582</b>	<b>57,567</b>	<b>51,001</b>
<b>Tobacco Products Tax</b>	<b>534,359</b>	<b>546,718</b>	<b>599,440</b>	<b>592,124</b>	<b>581,957</b>
<b>Non-Cigarette Tobacco Products Tax</b>	<b>11,486</b>	<b>12,631</b>	<b>14,284</b>	<b>15,607</b>	<b>16,552</b>
<b>Intangibles Tax (b)</b>	<b>77,408</b>	<b>44,776</b>	<b>810</b>	<b>1,075</b>	<b>(133)</b>
<b>Inheritance Tax (c)</b>	<b>1,085</b>	<b>842</b>	<b>(293)</b>	<b>405</b>	<b>488</b>
<b>Estate Tax (c)</b>	<b>78,390</b>	<b>99,775</b>	<b>175,275</b>	<b>163,245</b>	<b>159,055</b>
<b>Utility Property Tax</b>	<b>147,673</b>	<b>101,847</b>	<b>214,286</b>	<b>156,666</b>	<b>103,223</b>
<b>Gas and Oil Severance Tax</b>	<b>39,681</b>	<b>33,327</b>	<b>23,924</b>	<b>40,804</b>	<b>60,771</b>
<b>Gas and Oil Privilege Fee</b>	<b>7,069</b>	<b>6,159</b>	<b>5,219</b>	<b>6,460</b>	<b>12,533</b>
<b>Industrial/Commercial Facilities Tax</b>	<b>114,800</b>	<b>123,343</b>	<b>136,043</b>	<b>144,878</b>	<b>130,634</b>
<b>Convention Facility Tax</b>	<b>13,948</b>	<b>15,486</b>	<b>16,593</b>	<b>18,239</b>	<b>17,872</b>
<b>Underground Regulatory Fee</b>	<b>58,030</b>	<b>57,259</b>	<b>58,776</b>	<b>59,567</b>	<b>57,912</b>
<b>Insurance-Retaliatory Tax</b>	<b>200,597</b>	<b>138,834</b>	<b>191,702</b>	<b>155,191</b>	<b>194,996</b>
<b>State Education Tax</b>	<b>1,129,777</b>	<b>1,237,065</b>	<b>1,245,055</b>	<b>1,337,391</b>	<b>1,428,681</b>
<b>Real Estate Transfer Tax</b>	<b>186,656</b>	<b>224,405</b>	<b>253,813</b>	<b>250,663</b>	<b>262,682</b>
<b>Commercial Mobile Radio Service Tax</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>12,303</b>	<b>22,501</b>
<b>Airport Parking Tax</b>	<b>12,645</b>	<b>13,735</b>	<b>14,677</b>	<b>16,804</b>	<b>17,522</b>
<b>State Housing Development Service Fee</b>	<b>6,232</b>	<b>6,054</b>	<b>9,933</b>	<b>5,864</b>	<b>7,578</b>
<b>Other Taxes and Fees (d)</b>	<b>68,988</b>	<b>45,840</b>	<b>64,974</b>	<b>52,858</b>	<b>47,037</b>
<b>TOTAL</b>	<b>\$ 18,232,649</b>	<b>\$ 19,281,373</b>	<b>\$ 20,722,795</b>	<b>\$ 21,348,095</b>	<b>\$ 20,951,268</b>

(a) Temporary Assistance to Needy Families (TANF) funded by the Federal government reduced income tax refunds by \$27 million in FY 2001.

(b) Public Act 5 of 1995 repealed Public Act 301 of 1939 regarding collection of Intangible Taxes. Refunds paid exceeded revenue collected in FY 2001.

(c) Public Act 54 of 1993 replaced the Inheritance Tax for dates of death after September 30, 1993 with the Estate Tax.

(d) Includes Circuit Court, Probate Court and District Court Fees, Unclaimed Personal Property, Commercial Forest Tax and Trailer Coach Parks Tax.

# Table 13



## Michigan State Taxes (In Thousands of Dollars)

Tax Source	Year Adopted	Department Administered by	Payment Deadline	Net Cash Receipts 10-1-00 to 9-30-01	Disposition
Aircraft Registration	1923	Transportation	August 1	314	State Aeronautics Fund
Airport Parking	1987	TREASURY	15th of each month	17,522	Local Units
Aviation Fuel	1929	TREASURY	20th of each month	6,783	State Aeronautics Fund
Beer and Wine Excise	1933	Consumer & Industry Services	Monthly reports and/or stamps	50,180	General Fund
Tobacco Products	1947	TREASURY	20th of each month	581,957	63.4% to School Aid Fund, 25.3% to General Fund, 11.3% to Local Units
Non-Cigarette Tobacco Products	1994	TREASURY	20th of each month	16,552	94% to School Aid Fund, 6% to Local Units
Commercial Mobile Radio Services	1999	TREASURY	Last day of Feb., April, July and Oct.	22,501	Commercial Radio Suppliers and Counties
Convention Facility Development	1985	TREASURY	15th of each month	17,872	Debt Service for Cobo Hall Expansion
Corporate Organization	1891	Consumer & Industry Services	At time of incorporation, admission or increase in stock	12,462	General Fund
Diesel Fuel	1947	TREASURY	20th of each month	83,490	Michigan Transportation Fund
Diesel Fuel Dealer License	1951	TREASURY	January 1	15	Michigan Transportation Fund
Estate	1994	TREASURY	Within 105 days after death, except contingent transfers-due at vesting	159,055	General Fund
Gas and Oil Privilege Fee	1973	TREASURY	25th of each month	12,533	General Fund
Gas and Oil Severance	1929	TREASURY	25th of each month	60,771	General Fund
Gasoline	1925	TREASURY	20th of each month	923,594	Michigan Transportation Fund
Horse Race Wagering	1933	Agriculture	At end of each day's racing	12,492	Agriculture Equine Industry Development Fund
Individual Income	1967	TREASURY	April 15	6,839,304	General Fund with 23% of gross to School Aid Fund
Industrial Facilities	1974	TREASURY	December 1	130,634	Local Units and School Aid Fund
Inheritance	1899	TREASURY	Within 105 days after death, except contingent transfers-due at vesting	488	General Fund
Insurance Company Retaliatory	1987	TREASURY	Last day of April, July, Oct. and Jan.	194,996	General Fund
Intangibles	1939	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	(133)	General Fund
Liquified Petroleum Gas	1953	TREASURY	20th of each month	948	Michigan Transportation Fund
Liquor Excise - 4%	1957	Consumer & Industry Services	At time of sale to retail licensees	28,404	School Aid Fund
Liquor Specific - 4%	1959	Consumer & Industry Services	At time of sale to retail licensees	29,340	General Fund
Liquor Specific - 1.85%	1972	Consumer & Industry Services	At time of sale to retail licensees	10,419	Liquor Purchase Revolving Fund
Liquor - 4% Tourism and Convention Facilities	1985	Consumer & Industry Services	At time of sale to retail licensees	28,485	Debt Service for Cobo Hall Expansion and Local Units
Marine Fuel	1947	TREASURY	20th of each month	285	Michigan State Waterways Fund
Motor Carrier Diesel Fuel	1980	TREASURY	Last day of month following close of qtr.	51,345	Michigan Transportation Fund
Motor Carrier's Privilege	1923	Consumer & Industry Services	December 1	5,550	Michigan Transportation Fund
Motor Vehicle Weight or Value	1905	State	Owner's birthday	777,681	Michigan Transportation Fund
Real Estate Transfer	1994	TREASURY	County Treasurer remits to State on the 15th in the month after receipt	262,682	School Aid Fund
Sales	1933	TREASURY	15th and last day of each month	6,364,641	73.3% to School Aid Fund, 1.7% to General Fund, 1.3% to Comprehensive Transportation Fund, 23.7% to Local Units
Single Business	1975	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	2,164,148	General Fund
State Education	1994	TREASURY	County Treasurer remits to State the month after receipt from Local Units	1,428,681	School Aid Fund
Snowmobile Registration	1968	State	October 1 (every 3rd year)	1,773	General Fund
Underground Regulatory	1989	TREASURY	10th and 25th of each month	57,912	Michigan Underground Storage Tank Financial Assurance Fund
Utility Property	1905	TREASURY	July 1 or 1/2 on Aug. 1, 1/2 on Dec. 1	103,223	General Fund
Use	1937	TREASURY	15th of each month	1,343,760	66.7% to General Fund, 33.3% to School Aid Fund
Watercraft Registration	1967	State	January 1 (every 3rd year)	9,658	17.5% to Michigan State Waterways Fund, 33.5% to Harbor Development Fund, 49% to Marine Safety Fund



# Local Property Taxes

Local property taxes in Michigan are levied by local units of government - school districts, cities, counties, townships and villages. Each of Michigan's 83 counties then "equalizes" the local assessments.

Equalization ensures that similar properties in different areas are assessed equitably. Following county equalization, the State Tax Commission equalizes among counties.

Table 14 shows state, county and local equalized valuations for calendar year 2000 and the prior decade. This table also lists the total Taxable Valuation beginning with the 1994 tax year and lists the average tax rate (millage) for each year. Table 15 shows how property tax dollars are apportioned among the various taxing units.

Michigan taxpayers' local property tax burden is lessened substantially by an income tax credit for property taxes paid.

## Table 14



### Local Property Tax Valuation, Levies and Average Rates (In Millions of Dollars)

Calendar Year	Local Assessed Valuation	County Equalized Valuation	State Equalized Valuation	Taxable Valuation <sup>(a)</sup>	Total Taxes Levied	Average Rate (Mills) <sup>(b)</sup>	Homestead Average Rate <sup>(c)</sup>	Nonhomestead Average Rate
2000	\$ 284,331	\$ 284,427	\$ 284,427	\$ 240,647	\$ 9,462	39.32	31.54	50.10
1999	260,964	261,002	261,002	228,096	8,933	39.16	31.40	49.76
1998	237,401	237,410	237,416	215,179	8,450	39.27	31.43	49.68
1997	216,682	216,745	216,745	202,616	7,952	39.25	31.36	49.63
1996	200,246	200,341	200,341	191,777	7,536	39.32	31.35	49.52
1995	186,262	186,388	186,395	185,530	7,081	38.88	31.00	48.79
1994	175,280	175,550	175,195	175,195 <sup>(a)</sup>	6,704	38.19	30.22	48.17
1993	167,651	167,877	167,731	---	9,501	56.64	---	---
1992	154,266	154,284	153,929	---	8,942	58.09	---	---
1991	150,687	150,858	150,665	---	8,639	57.34	---	---
1990	139,921	140,166	139,901	---	7,998	57.17	---	---

(a) Beginning in 1994, property taxes have been levied against Taxable Value, not State Equalized Value.

(b) This is the Average Rate based on all classes of property.

(c) Homesteads include those properties which receive the "homestead" exemption, and those which receive the "qualified agricultural property" exemption.

## Table 15



### Distribution of Local Property Taxes (In Thousands of Dollars)

Taxing Unit	Taxes Levied		Percent of Increase
	1999	2000	
City	\$1,734,404	\$1,829,966	5.51%
County	1,432,072	1,509,459	5.40%
Township	481,799	526,049	9.18%
Village	70,715	73,970	4.60%
School	3,845,804	4,078,934	6.06%
State Education Tax	1,368,578	1,443,885	5.50%
Totals	\$ 8,933,372 <sup>(a)</sup>	\$9,462,263 <sup>(b)</sup>	

(a) \$483.9 million of the total property taxes levied in 1999 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

(b) \$516.6 million of the total property taxes levied in 2000 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

## NOTES



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